

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE SOUTH DAKOTA ECONOMY

The importance of small business to the state of South Dakota is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, South Dakota had 21,196 businesses with employees; 97.4 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 28,000 self-employed persons in 1996, for an estimated total of 49,196 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 7.4 percent to \$1.6 billion in 1996, while wage-and-salary income rose 5.7 percent. Total personal income rose 6.0 percent to \$9.1 billion. The state also exported \$397.3 million of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 24,000 women-owned businesses in South Dakota, including part-time firms, employing 52,000 people and generating \$6.0 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 65.2 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 76.2 percent from 1987 to 1992, totaling 111 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 119.3 percent during the same time period with 239 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 375 in 1987, to 555 in 1992, representing a 48.0 percent increase.

**Business Turnover** - The number of new firms decreased 1.2 percent, while new business incorporations decreased 1.4 percent in 1996. Financial difficulties leading to business bankruptcies increased by 25.6 percent and business failures decreased by 13.2 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in South Dakota decreased from 120 in 1994 to 116 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
AMERICAN ST BK OF RAPID CITY	Rapid City
FIRST WESTERN BK CUSTER	Custer
FIRST NB IN GARRETSON	Garretson
FIRST ST BK MILLER	Miller
DACOTAH BANK	Lemmon
CITIZENS ST BK OF ARLINGTON	Arlington
PEOPLES BK	Conde
BANKWEST	Pierre
FIRST PREMIER BK	Sioux Falls
FIRST FIDELITY BK	Burke
FIRST WESTERN BK STURGIS	Sturgis
FIRST BK SD NA	Sioux Falls
CITIBANK SOUTH DAKOTA NA	Sioux Falls

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 47.9 percent of the small business growth with 14,621 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	8,595	6,026	3,737	12,197	(2,316)	28,239
Manufacturing	214	587	878	1,962	3,436	7,076
Retail Trade	1,143	976	(273)	1,102	(428)	2,520
Services	6,200	3,520	3,243	6,543	(2,280)	17,227
Other	1,037	944	(111)	2,590	(3,044)	1,415

**Industries** - The composition of small business in South Dakota is very diverse. The Eating & Drinking Places industry is the largest small business employer in South Dakota, followed by Health Services. The fastest growing industry for small business is Furniture & Fixtures (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in South Dakota by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	256,070	100.0	65.7
Health Services	8000	34,815	13.6	48.3
Eating & Drinking Places	5800	21,894	8.6	87.9
Food Stores	5400	10,200	4.0	51.2
Industrial & Commercial Machinery & Computer Equipment	3500	10,089	3.9	31.9
Depository Institutions	6000	9,574	3.7	46.9

Table 2, Top Five Small Business Industries in South Dakota by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	168,165	100.0	65.7
Eating & Drinking Places	5800	19,238	8.6	87.9
Health Services	8000	16,819	13.6	48.3
Automotive Dealers & Gasoline Service Stations	5500	8,172	3.3	95.6
Wholesale Trade - Durable Goods	5000	7,778	3.5	86.9
Wholesale Trade-Nondurable Goods	5100	7,606	3.7	80.5

Table 3, Fastest Growing Industries for Small Business in South Dakota, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	164,830	168,165	3,335	2.0
Furniture & Fixtures	369	478	109	29.5
Social Services	5,660	6,761	1,101	19.5
Engineering, Accounting, Research, Management, & Related Services	2,583	2,993	410	15.9
Hotels, Rooming Houses, Camps, & Other Lodging Places	4,086	4,584	498	12.2
Heavy Construction	1,387	1,519	132	9.5

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.